

SENATE BILL 1811

By Herron

AN ACT to amend Tennessee Code Annotated, Title 5;
Title 6; Title 7 and Title 67, relative to municipal
economic development zones.

WHEREAS, Perry County is a rural area of Tennessee which is geographically challenged and has no four-lane highways or major interstates within its boundaries which creates very difficult challenges to economic development; and

WHEREAS, Perry County is in a distressed financial condition as it leads the state with the highest unemployment of nearly twenty percent (20%) and cannot finance economic development projects on its own without the participation of private resources and other governmental assistance; and

WHEREAS, it is nearly impossible for private enterprise alone to meet these economic challenges; and

WHEREAS, in Perry County, a seriously financially distressed community, the serious challenges of economic development and/or redevelopment have not been met by private enterprise alone and the impact is being felt throughout the community; and

WHEREAS, various states, such as Rhode Island, New Jersey, Pennsylvania, and Michigan, have had a great deal of success in generating economic development by exercising the authority to exempt and/or stabilize taxes; and

WHEREAS, attracting large non-residential developments or encouraging expansion of existing commercial entities can be extremely important to the financial stability of rural communities where the quality of public education and general services have long been funded at a local level primarily through funds generated from property taxes with only a small portion of funding capable of coming from sales taxes collected due

to the overwhelming lack of commercial businesses; and

WHEREAS, an expansion of the commercial tax base should help reduce the reliance upon the residential tax base to fund the majority of the local services; and

WHEREAS, the ability to attract this commercial development and increase the non-residential tax base, in turn, improves local government's ability to finance school systems, local services, and infrastructure, thereby improving the quality of life; and

WHEREAS, in addition to increasing the local non-residential tax base, this development creates construction jobs, permanent jobs, and spurs additional investment by private enterprises; and

WHEREAS, providing authority to offer tax exemptions from, or to stabilize, the imposition of sales and use taxes will attract and assist in expanding, revitalizing, and redeveloping the tax base in our county, thereby providing long-term economic benefits and development; now therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. In order to attract new construction and development in a municipal economic development (MED) zone as provided in this act, upon the designation of such zone as set forth in this section, all businesses engaging in qualifying sales and located in new construction in a MED zone (a MED zone business) shall be exempt from the requirement to charge and collect fifty percent (50%) of the current sales and use tax for a period of ten (10) years. Sales and use taxes collected in a MED zone shall be returned to the local MED zone program in accordance with this section. The ten year exemption period for all MED zone businesses shall begin to run from the latest to occur of:

(1) The date a particular area has met all applicable criteria and is declared a MED zone; or

(2) The date an entity opens for business within an established MED zone.

SECTION 2.

(a) For purposes of this act:

(1) "Qualifying sales" for a MED zone business shall not include gambling activities, retail sales of tobacco products, or retail sales of packaged alcoholic beverages; and

(2) "Qualifying sales" shall be sales at which the point of sale is located within the same MED zone and point of delivery is located within the same MED zone.

(b) The city or town council of a financially distressed community may designate in accordance with this section a MED zone or zones in the municipality, provided that the municipality is:

(1) A financially distressed community; and

(2) Has a population less than three thousand (3,000) persons.

(c) The city or town council of any financially distressed city or town in creating a MED zone shall have the power and authority of a redevelopment agency to undertake the redevelopment of a MED zone.

(d) The city or town council, in designating a MED zone, shall after public notice, hearing, and vote, shall be responsible for carrying out the plan.

(e) All sales and use taxes collected within a MED zone shall be reimbursed to the municipality in which the MED zone is located, and may be expended by the municipality to implement the capital improvement component of the MED zone plan for the MED zone property or property located within two (2) miles of the MED zone or for such other capital improvements as the municipality may determine are required to mitigate MED zone impacts.

(f) The municipality tax administrator shall issue a certificate of exemption to the MED zone business at the time the business applies for its permit to make sales at retail and provides the municipality tax administrator with business certificates issued by the county clerk and clerk of the municipality stating that the business is located in a MED zone provided the business meets the requirements of Sections 1 and 2 of this act.

SECTION 3. Tennessee Code Annotated, Section 67-6-202(a), is amended by adding following language at the end of the second sentence:

;provided, that a Med zone business meeting the requirements of Sections 1 and 2 shall be exempt from the requirements of this part and part 7 of this chapter to charge and collect fifty percent (50%) of the sales and use tax for a period of ten (10) years from the latter of:

- (1) The date a particular area has met all applicable criteria established pursuant to Sections 1 and 2 and is declared a MED zone; or
- (2) The date an entity opens for business within an established MED zone.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.